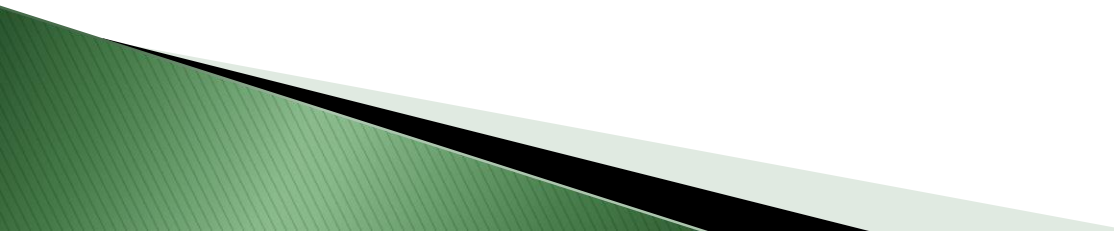


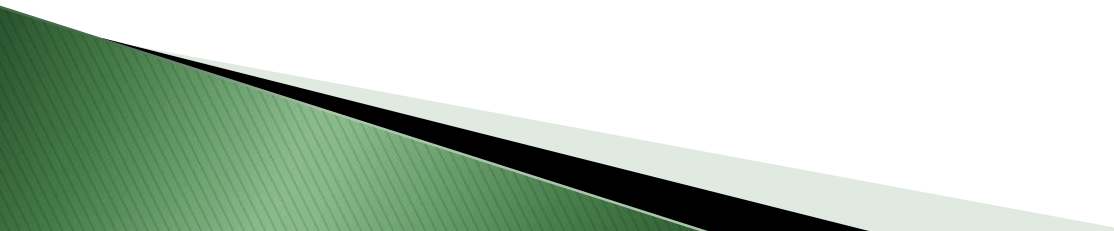
School Tuition Organization Tax Credit

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Tax Credit Details

- ▶ The Iowa School Tuition Organization (STO) Tax Credit was enacted in tax year 2006.
 - ▶ The nonrefundable tax credit is awarded to taxpayers who make voluntary cash contributions to a qualifying school tuition organization that provides scholarships to low-income students.
- 

Total Tax Credit Award Caps for School Tuition Organizations

- ▶ \$2.5 million for tax year 2006
 - ▶ \$5.0 million for tax year 2007
 - ▶ \$7.5 million for tax years 2008 through 2011
 - ▶ \$8.75 million for tax year 2012 and subsequent tax years
- 

Education Scholarship Tax Credit Programs in Other States

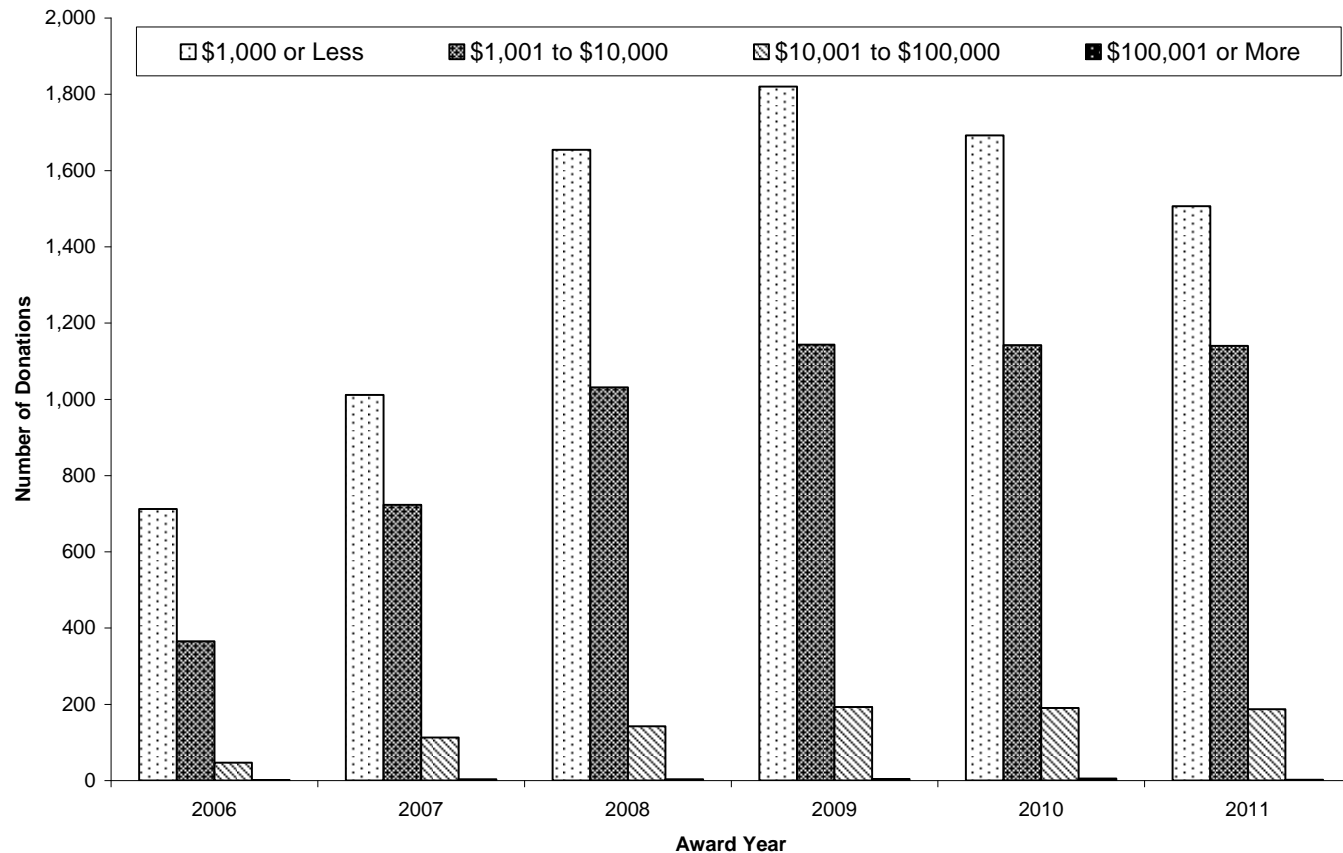
- ▶ There are eleven states that currently have some type of scholarship tax credit program.
 - Largest capped program is in Florida
 - Annual cap of \$229 million in FY 2013, where credit is equal to 100% of eligible contribution
- ▶ None of Iowa's neighboring states offer a school tuition scholarship tax credit.
- ▶ Only two states have credit rates that are less than Iowa's 65 percent credit.
 - Indiana and Oklahoma

School Tuition Organization Tax Credit Award Statistics

Year of Tax Credit Award	Total Issued	Number of Awards Issued	Smallest Award Issued	Largest Award Issued	Average Award Issued	Median Award Issued
2006	\$2,499,904	1,125	\$13	\$113,750	\$2,222	\$650
2007	\$4,886,880	1,850	\$10	\$97,500	\$2,642	\$650
2008	\$6,200,378	2,830	\$12	\$97,500	\$2,191	\$650
2009	\$7,402,020	3,160	\$13	\$124,865	\$2,342	\$650
2010	\$7,499,992	3,029	\$5	\$113,750	\$2,476	\$650
2011	\$7,499,413	2,835	\$10	\$325,000	\$2,645	\$650
Total	\$35,988,586	14,829	\$5	\$325,000	\$2,427	\$650

- ▶ The average award for the last six years was \$2,427 and the median award was \$650.
- ▶ Between 2009 and 2011 when the tax credit cap was \$7.5 million, the average number of awards each year was 3,008.

Distribution of the Number of Donations by Donation Amount

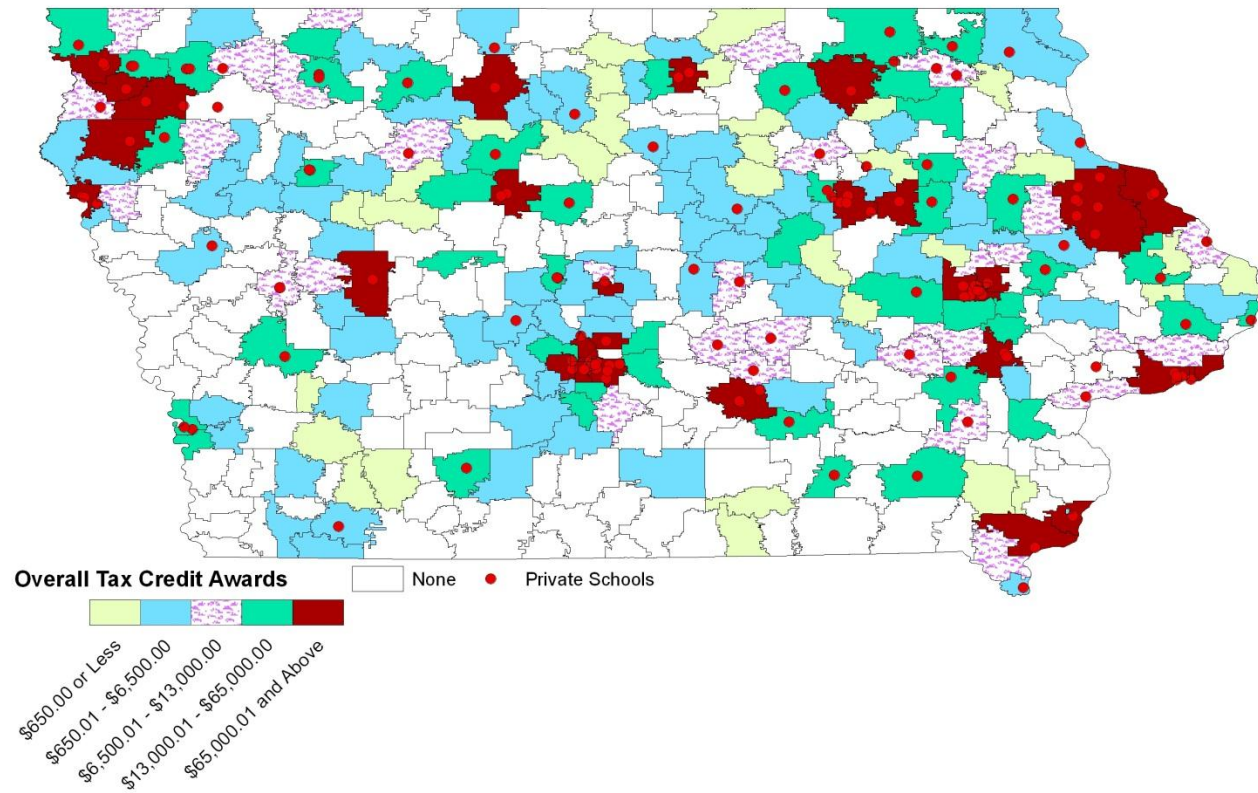


School Tuition Organization Scholarship Statistics

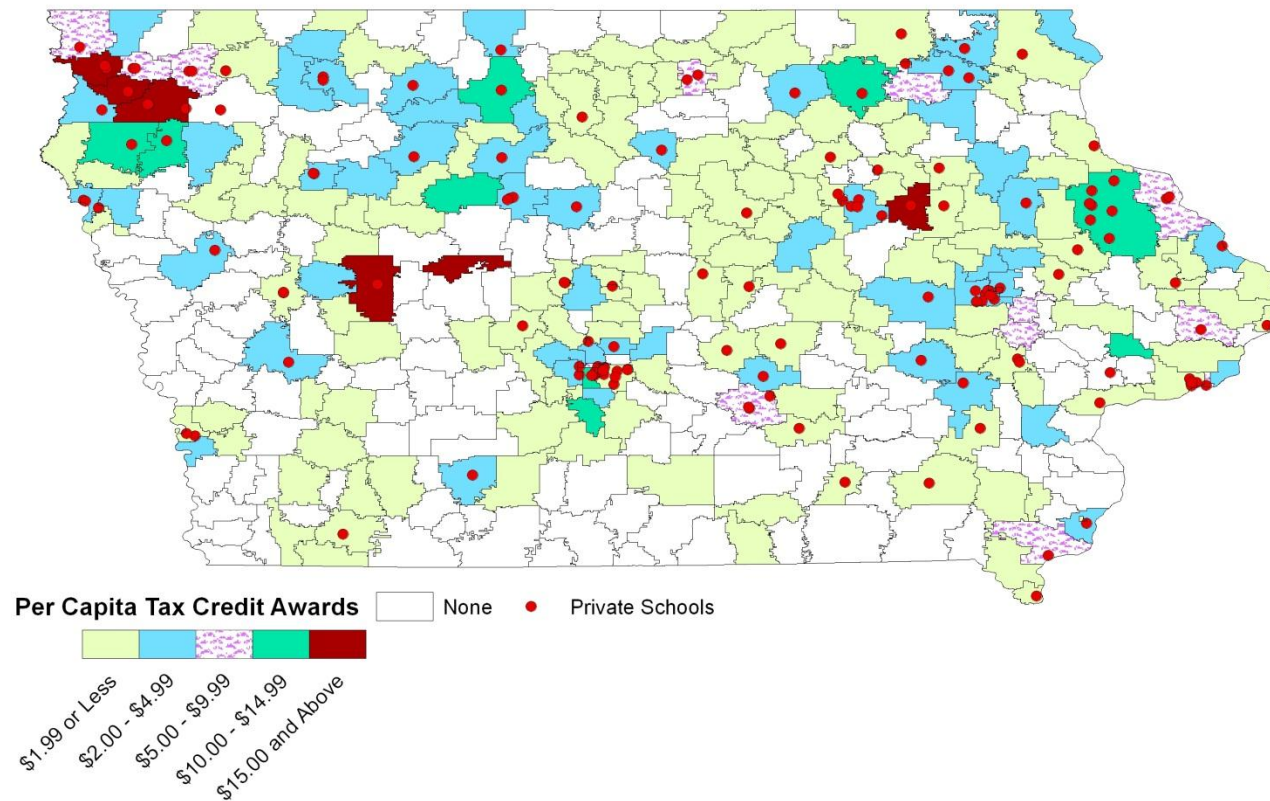
Year of Donation	Amount of Donations	Amount of Scholarships the following School Year	Number of Scholarships Issued	Average Scholarship Amount	Percent of Donations Distributed as Scholarships	Administrative Expenses
2006	\$3,846,006	\$3,603,913	7,410	\$486	93.71%	\$242,093
2007	\$7,439,826	\$7,072,311	8,538	\$828	95.06%	\$367,515
2008	\$9,538,522	\$8,873,058	9,280	\$956	93.02%	\$665,464
2009	\$11,394,228	\$11,070,539	10,280	\$1,077	97.16%	\$323,689
2010	\$11,538,862	\$10,793,964	10,537	\$1,024	93.54%	\$744,898
2011	\$11,536,961			Not Yet Reported		
Totals through 2010	\$43,757,444	\$41,413,785	46,045	\$899	94.64%	\$2,343,659

- ▶ Nearly \$43.8 million in donations have been received, generating over \$41.4 million in scholarships for an average of 9,209 students each school year.
- ▶ The average scholarship has been \$899.
- ▶ 5.4 percent of donations have been used for administrative expenses.

Total STO Tax Credit Awards by School District



Per Capita STO Tax Credit Awards by School District



Distribution of STO Tax Credit Awards by Taxpayer Type

- ▶ Effective July 1, 2009, tax credit awards could be made to corporations.
- ▶ In the two full tax years that corporations could make donations they average less than 2% of all awards.

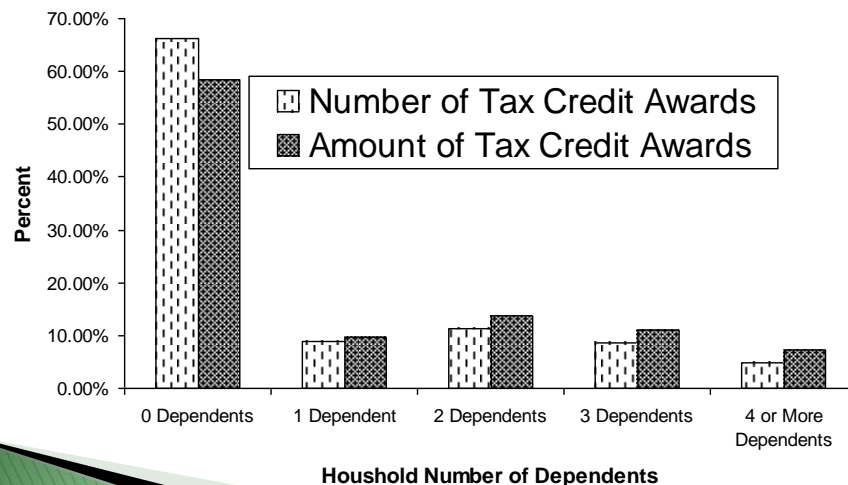
Year of Award	Awards to Individuals			Awards to Corporations			Distribution of \$ to Individuals
	Number of Awards	Amount of Awards	Average Award	Number of Awards	Amount of Awards	Average Award	
2006	1,125	\$2,499,904	\$2,222	NA			100.00%
2007	1,850	\$4,886,880	\$2,642	NA			100.00%
2008	2,830	\$6,200,378	\$2,191	NA			100.00%
2009	3,158	\$7,400,723	\$2,343	2	\$1,300	\$650	99.98%
2010	3,009	\$7,310,000	\$2,429	19	\$189,280	\$9,962	97.48%
2011	2,817	\$7,405,752	\$2,629	18	\$93,661	\$5,203	98.75%
Total	14,789	\$35,703,637	\$2,414	39	\$284,241	\$7,288	99.21%

STO Tax Credit Awards by Household AGI, TY 2006–2010

Household Adjusted Gross Income (in 2010\$)	Number of Households with Tax Credit Awards	Percent of Households with Tax Credits	Total Amount of Tax Credit Awards	Percent of Total Tax Credit Awards Issued	Average Household Tax Credit Award
NO AGI	63	0.57%	\$202,072	0.73%	\$3,207
\$ 1 - 9,999	167	1.51%	\$72,550	0.26%	\$434
\$ 10,000 - 19,999	327	2.95%	\$165,879	0.60%	\$507
\$ 20,000 - 29,999	546	4.93%	\$305,620	1.10%	\$560
\$ 30,000 - 39,999	639	5.76%	\$404,355	1.46%	\$633
\$ 40,000 - 49,999	645	5.82%	\$461,794	1.66%	\$716
\$ 50,000 - 59,999	651	5.87%	\$607,683	2.19%	\$933
\$ 60,000 - 74,999	944	8.52%	\$854,179	3.07%	\$905
\$ 75,000 - 99,999	1,350	12.18%	\$1,315,222	4.73%	\$974
\$ 100,000 - 124,999	1,136	10.25%	\$1,446,151	5.20%	\$1,273
\$ 125,000 - 149,999	777	7.01%	\$1,094,151	3.94%	\$1,408
\$ 150,000 - 174,999	573	5.17%	\$1,085,828	3.91%	\$1,895
\$ 175,000 - 199,999	449	4.05%	\$1,012,733	3.64%	\$2,256
\$ 200,000 - 249,999	698	6.30%	\$1,971,254	7.09%	\$2,824
\$ 250,000 - 499,999	1,240	11.19%	\$5,951,411	21.42%	\$4,800
\$ 500,000 - 999,999	565	5.10%	\$5,000,927	18.00%	\$8,851
\$1,000,000 or More	315	2.84%	\$5,832,736	20.99%	\$18,517
Total	11,085		\$27,784,545		\$2,506

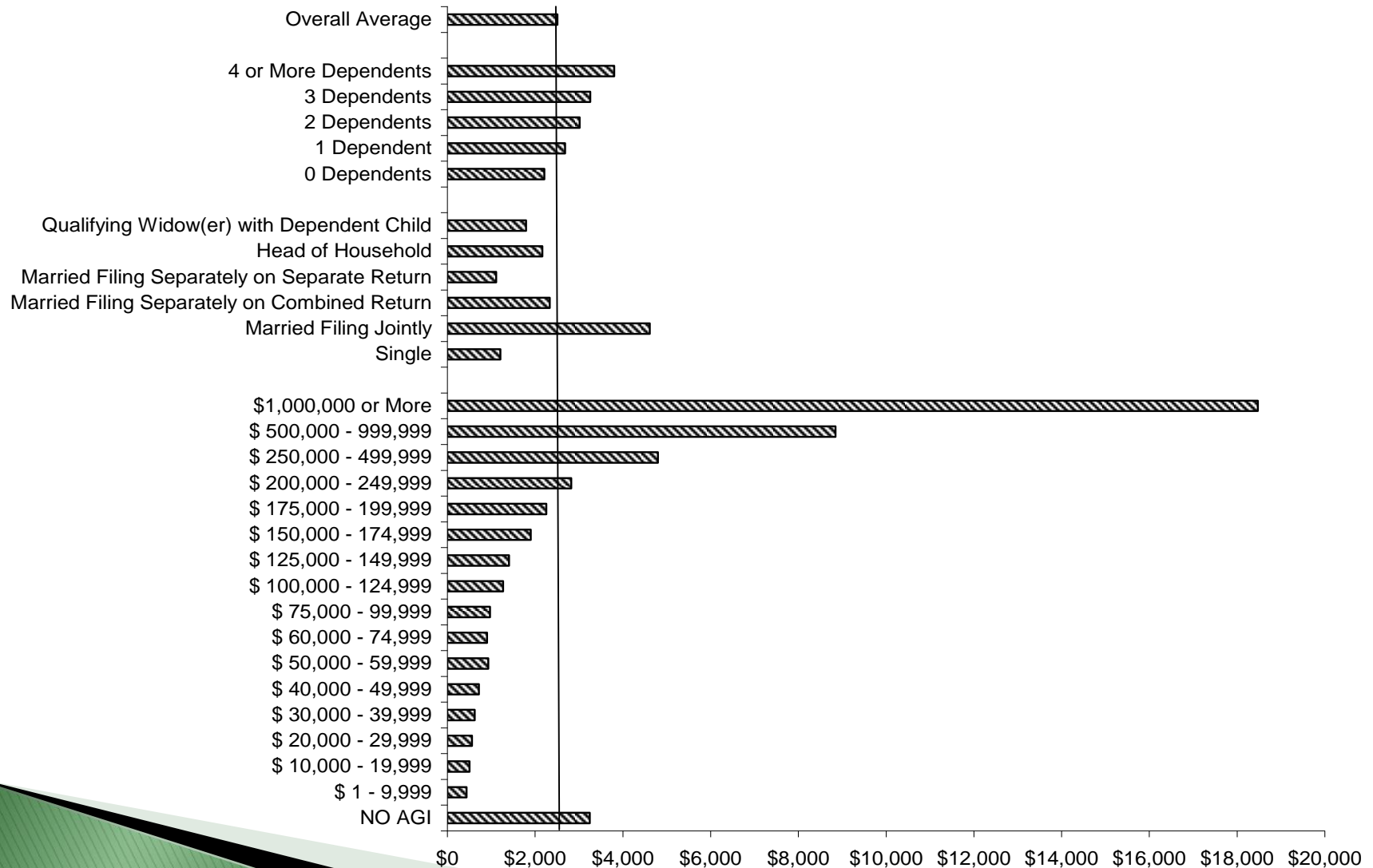
STO Tax Credit Awards by Number of Dependents, TY 2006–2010

Number of Dependents in the Household	Number of Households with Tax Credit Awards	Percent of Households with Tax Credits	Total Amount of Tax Credit Awards	Percent of Total Tax Credit Awards Issued	Average Household Tax Credit Award
0 Dependents	7,321	66.31%	\$16,184,135	58.38%	\$2,211
1 Dependent	989	8.96%	\$2,656,291	9.58%	\$2,686
2 Dependents	1,260	11.41%	\$3,802,948	13.72%	\$3,018
3 Dependents	942	8.53%	\$3,068,915	11.07%	\$3,258
4 or More Dependents	528	4.78%	\$2,008,764	7.25%	\$3,804
Total	11,040		\$27,721,053		\$2,511

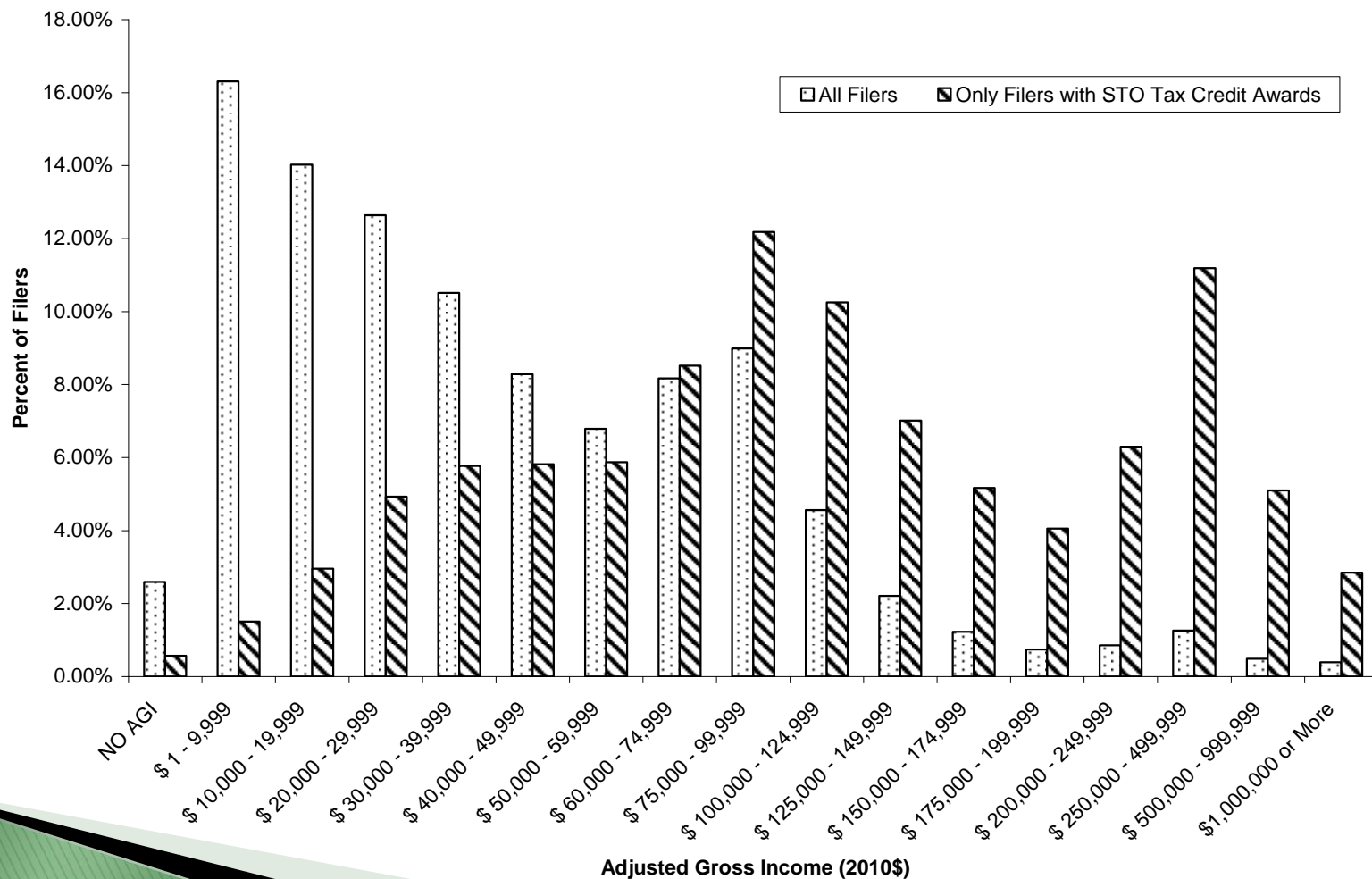


- 66 percent of the number of awards and 58 percent of the award dollars were received by households with zero dependents.

Average Award by Different Household Characteristics



AGI of All Income Tax Filers and Households with STO Awards, TY 2006-2010



Persistence of STO Tax Credit Awards by Households, TY 2006–2010

Number of STO Donations	Number of Households	Percent of Households
1	1,798	37.88%
2	1,051	22.14%
3	846	17.83%
4	653	13.76%
5	398	8.39%
	4,746	

- ▶ Nearly 4,800 households have donated to an STO at least once.
- ▶ More than half of those have donated only once or twice.
- ▶ Over 8 percent donated in all five years.

Timing of STO Tax Credit Claims

Year of Tax Credit Award	Percent Claimed in First Year	Percent Claimed in Second Year	Percent Claimed in Third Year	Percent Claimed in Fourth Year	Percent Claimed in Fifth Year	Percent Claimed in Final Year	Amount Remaining
2006	87.62%	6.41%	2.37%	0.07%	0.16%	0.20%	3.17%
2007	88.28%	5.91%	1.67%	0.90%	0.35%		2.89%
2008	84.52%	7.10%	2.11%	0.65%			5.62%
2009	85.62%	7.58%	1.35%				5.45%
2010	86.42%	7.43%					6.15%
2011*	78.03%						21.97%
Average	85.08%	6.89%	1.88%	0.54%	0.26%	0.20%	5.16%

- ▶ On average, almost 83 percent of STO Tax Credits are claimed in the first tax year.
- ▶ Any 2006 STO award not claimed by the 2011 tax year will expire. Approximately three percent of 2006 awards, or \$83,000, is expected to expire from the first year of awards.

Estimated Impacts on Individual Income Tax

- ▶ Higher income households have more state tax liability and a higher federal income tax rate, so they benefit more from the federal charitable contribution itemized deduction.
- ▶ It is estimated that a \$1,000 donation would cost a household with less than \$20,000 in adjusted gross income, on average, \$971 after taxes.
- ▶ For households with over \$1 million in adjusted gross income, on average, their after-tax cost for a \$1,000 donation was \$44.

Household Adjusted Gross Income	After-Tax Cost of \$1,000 Donation in TY 2010*
Less than \$20,000	\$971
\$20,001 to 30,000	\$716
\$30,001 to 40,000	\$568
\$40,001 to 50,000	\$499
\$50,001 to 60,000	\$492
\$60,001 to 70,000	\$455
\$70,001 to 80,000	\$449
\$80,001 to 90,000	\$254
\$90,001 to 100,000	\$450
\$100,001 to 125,000	\$357
\$125,001 to 150,000	\$182
\$150,001 to 175,000	\$153
\$175,001 to 200,000	\$125
\$200,001 to 250,000	\$145
\$250,001 to 500,000	\$96
\$500,001 to 1,000,000	\$84
\$1,000,001 or more	\$44

*Calculation is based on tax year 2010 when the maximum federal marginal tax rate was 35%

Questions?